

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2608 - SB 2480

April 17, 2022

**SUMMARY OF BILL AS AMENDED (013742, 017567):** Enacts the *Tennessee Broadband Investment Maximization Act of 2022*. Creates an exemption from sales and use tax of purchases and leases of all equipment, machinery, software, ancillary components, appurtenances, accessories, or other infrastructure that is used in whole or in part in producing broadband communications services or providing internet access, beginning July 1, 2022 through June 30, 2025. Excludes from the sales and use tax exemption the retail sale of certain items. Requires the Commissioner of Revenue to reimburse counties and municipalities for loss of revenue resulting from the tax exemption.

**FISCAL IMPACT OF BILL AS AMENDED:**

**Decrease State Revenue –**

**Exceeds \$50,000,000/Each Year FY22-23 through FY24-25**

**Increase State Expenditures –**

**Exceeds \$18,000,000/Each Year FY22-23 through FY24-25**

**Passage of this legislation could result in an estimated \$650,000,000 in potentially taxable expenditures in the state becoming tax exempt.**

Assumptions for the bill as amended:

- The proposed legislation does not apply to the retail sale of personal consumer electronics, including, but not limited to, smartphones, computers, and tablets, and consumer-grade modems and Wi-Fi routers.
- Based on information provided by the Department of Revenue:
  - It can be reasonably assumed that the total national spending on broadband infrastructure in typical year is approximately \$100,000,000,000.
  - Assuming Tennessee would account for about two percent of that total, the state would see \$2,000,000,000 in spending.
    - If 50 percent, or \$1,000,000,000, is taxable the state would generate \$70,000,000 in revenue using the state sales tax of 7 percent.
    - If 25 percent, or \$500,000,000, is taxable the state would generate \$35,000,000 using the state sales tax of 7 percent.
    - A reduction in state revenue of \$50,000,000 is assumed as a midpoint.

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- Exempting all purchases for anything used in producing broadband communications or providing internet access from sales and use tax from July 1, 2022 until June 30, 2025 will result in an estimated decrease in state revenue exceeding \$50,000,000 and a decrease in local revenue exceeding \$18,000,000 in each FY22-23 through FY24-25.
- The proposed legislation requires the Commissioner of Revenue to reimburse local governments for any loss of revenue resulting from the tax exemption; therefore, an annual increase in state expenditures of \$18,000,000 in each FY22-23 through FY24-25.
- The net impact to local government will be not significant.
- The recently passed *Infrastructure Investment and Jobs Act* includes \$65,000,000,000 in spending designated for broadband. Passage of this legislation could result in up to \$650,000,000 of taxable expenditures in the state that would become tax exempt.

## **IMPACT TO COMMERCE OF BILL AS AMENDED:**

**Other Commerce Impact – Due to multiple unknown factors, a precise impact to business revenue and expenditures and jobs in Tennessee cannot reasonably be determined.**

Assumptions for the bill as amended:

- Exempting certain purchases from sales and use tax will result in a decrease to business expenditures. The extent of any decrease to business expenditures cannot be reasonably determined.
- It is not known if businesses will elect to expand broadband and internet services to new customers as a result of the proposed legislation, or if such expansion will require the hiring of additional employees.
- A precise impact to business revenue and jobs in Tennessee cannot be reasonably determined.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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